

**MINUTES  
of the  
FIRST MEETING  
of the  
STATE PERMANENT FUND TASK FORCE**

**May 13-14, 2004  
Santa Fe**

The first meeting of the State Permanent Fund Task Force was called to order by Gary Bland, acting chair, at 1:40 p.m. on May 13, 2004 in Room 307 of the State Capitol in Santa Fe.

**PRESENT**

Gary Bland, Acting Chair  
Sen. Joseph J. Carraro  
Frank Foy  
Bob Gish  
Bob Jacksha  
Sec. James Jimenez  
Rep. Larry A. Larranaga  
Rep. Henry Kiki Saavedra  
Rep. Luciano "Lucky" Varela

**ABSENT**

Sen. Joseph A. Fidel  
Deborah Gallegos  
Sen. Timothy Z. Jennings

**Staff**

Douglas Williams  
Larry Matlock

**Guests**

The guest list is in the meeting file.

**Thursday, May 13**

The minutes of the January 17, 2004 meeting were approved by unanimous consent.

Gary Bland made a motion nominating Senator Carraro as chair and Representative Varela as vice chair of the task force. The motion passed unanimously.

Task force members discussed the importance of bringing the meetings to population centers of New Mexico, including Santa Fe, Las Vegas, Albuquerque and Las Cruces, so that they can take advantage of local universities and the investments professionals working nearby. Four two-day meetings were agreed upon as follows:

May 13-14: State Capitol, Santa Fe  
July 8-9: Anderson School, Albuquerque  
Sept. 9-10: New Mexico Highlands University, Las Vegas  
Nov. 4-5: Las Cruces

**STATE INVESTMENT COUNCIL**

Gary Bland and Bob Jacksha reviewed the March 2004 State Investment Council report. The discussion included a description of active versus index investments, a description of typical large cap equities, emerging markets, bond funds, etc., and an explanation of specific investment allocations in the Land Grant Permanent Fund (LGPf), Severance Tax Permanent Fund (STPF) and tobacco settlement funds.

Discussion topics of the committee included:

- investment management contracts and the process involved when it is determined that a particular portfolio is under-performing. It was noted that it takes 120 days to change investment managers;
- trading costs associated with changing portfolio managers, with the chair indicating an interest in draft legislation that would exempt the Public Employees Retirement Association (PERA), the Education Retirement Board (ERB) and the State Investment Council (SIC) from the Procurement Code. This would exempt them from the request for proposal (RFP) process; and
- Representative Varela indicated an interest in seeing a flow chart that shows the allocation of severance tax revenue in order to understand the flow of money into the permanent fund.

The committee recessed at 4:45 p.m.

#### **Friday, May 14**

The meeting was called to order by Senator Carraro at 10:25 a.m.

Legislative Council Service (LCS) staff made a presentation concerning the allocation of severance tax revenue in response to Representative Varela's request from the previous day.

Senator Carraro requested staff to prepare a presentation describing the function of and relationship between the Public School Capital Outlay Council (PSCOC) and Public School Capital Outlay Task Force (PSCOTF).

Senator Carraro also requested staff to calculate the percent of severance tax revenue that has flowed to the STPF over the past 10 years.

#### **STATE INVESTMENT COUNCIL**

Gary Bland and Bob Jacksha reviewed the SIC asset allocation report. A discussion of derivatives followed. Scott Smith presented an overview of the SIC investments in real estate.

Discussion topics of the committee included the following:

- Representative Saavedra suggested that the task force conduct an information session for the legislature.
- Frank Foy suggested that the investment statutes be made more flexible with respect

- to authorized investment vehicles.
- Frank Foy noted that ERB is currently paying more in benefits than it is receiving in contributions (deficit= \$120 million annually).
  - Concerning future agendas, it was agreed that Janet Peacock will be scheduled for the July meeting.
  - SIC will develop a resource document containing definitions, and the administration will have an opportunity to present concerns.
  - Senator Carraro indicated that the task force will return to the subject of derivatives; the final meeting will focus on draft legislation.

The meeting adjourned at 2:00 p.m.